Seminar
Fiscal Transparency in India- Building Subnational Reporting

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INTRODUCTION

Rakesh Mohan:

Let me on behalf of CSEP, centre for social and economic progress, welcome all of you to this very important seminar from our point of view. And given the importance of this topic is illustrated by the presence of a number of luminaries, who I will not name because then I might miss someone. But I think luminaries are luminous. So, everyone can see them and see who they are. The topic of course, is the fiscal transparency in India - Building sub-national reporting. It is very important because most of the time all our attention is devoted to the central government and the union budget every year and so on. Not adequate importance is given to state budget, state finances, fiscal reporting from states, etc. So, this I think is a very important subject and I am very glad that our distinguished fellow Anoop Singh has been leading this work in CSEP. So, we have a distinguished panel of course. B V R Subramaniam, Vidhu Sood and Kandarp Patel. And there will also be presentation by a colleague Kevin James and Shruti Gupta. I will just give a quick introduction. B V R Subramaniam because no one knows what B V R stands for. So, all of us basically have known him as Subbu. He is now the chief executive officer of NITI Aayog. He has had a storied career in the IAS in 1987. I wonder if you hold a record Subbu of… we have a very few or the only IAS officer who has worked in as many as four state governments including Manipur, Madhya Pradesh, Chhattisgarh and Jammu and Kashmir. So, either none of them want you and keep sending you out or that you are so terrific that everyone wants you. So, really very pleased to have you. He also worked as senior advisor, the executive director of the World Bank. And the last main position in the government was as secretary of ministry of commerce and industry. Is also the Jammu and Kashmir chief secretary and the principal secretary, Chhattisgarh. He has also had the distinction of working very closely with both prime minister Manmohan Singh and prime minister Modi in the prime minister’s office. He is also the author of ‘Conduct in government’. Misconduct or conduct in government? And _ at the academy in Missouri. So, thank you very much for taking the time. I know that your time is very valuable. We really appreciate it very much. Vidhu Sood, a civil servant, she belongs to the Indian audit and account service and has over 20 years of experience there as public financial management, public sector auditing, financial auditing and capacity building. She has undertaken international financial audits of UN secretariat and also the international atomic energy agency in Vienna. She is currently serving as secretary of international financial reporting authority, India’s independent audit regulator. Kandarp Patel is director at the national academy of audit and accounts where he teaches courses in public finance, law, policy and government accounts and also looks after short term training courses for in-service officers. And Indian audit accounts service officer of 2012 batch. He was previously director on deputation of the 15th finance commission where he had the misfortune of meeting and working with Anoop Singh (laughter). So, he has worked closely with the commission in the areas of public finance and fiscal federalism. Of course, Anoop is a distinguished fellow and moderator of this session. He was member of the 15th finance commission of India. And was previously director of the Asia-Pacific department of the international monetary fund and of the western hemisphere department international monetary fund. And at that time, he was indeed the senior most Indian in the IMF. He has also worked as special advisor of governor of reserve bank of India and also his also Georgetown university adjunct professor. Kevin James is sitting here is research associate at CSEP and Shruti Gupta here is research analyst at CSEP, will give the presentation on – off budget borrowings. And they work of course with Anoop in the fiscal evidence domain at CSEP. Before I call Anoop to be the moderator
and run the session just a few words on the session on the subject itself. Basically, this is emphasizing the importance of transparent fiscal reporting at all levels of government. And this is important of course ought to be fairly self-evident. But perhaps it has not been. Deficiency in fiscal reporting obviously makes it difficult to accurately assess the quality of fiscal spending and also the use of fiscal policy as a tool where on the growth and development and also to correctly prioritize expenditure because if you don’t know the exact data then it is difficult to prioritize. A lot of the data generated by India’s public financial management system is perhaps not comprehensive in coverage and is also not fully comparable over state governments. A close examination which Anoop and his colleagues have done, their fiscal data does reveal various discrepancies, misclassifications and inconsistencies which urgently needs systemic corrections. You know, in India we have a tendency whenever something wrong happens of saying human error or _ mistake, as opposed to looking at systemic solutions which minimize human error. So, that is really what is important here. Of course, these issues have become more important because of all the Covid disruptions and the large fiscal expansion at both the central and state government levels, because of Covid. Now the union government has indeed made some progress in recent last couple of years in the context of budget borrowings. They have become much more transparent. We hope that this trend continues with the state governments. State governments of course, subject to many pressures, not in full control of course, increasing need for infrastructure development for which not have enough funds, low and stagnant state and local government accesses _, particularly local government where we have hardly touched the issues but the 15th financial commission gave it a lot of attention. And also, the impact of the rising cesses and surcharges by the union government, the consequence of which of course, is that rather than getting 41% of the divisible pool, they actually get only 29% because of the cesses. So, some extent there was a consequence of that 41% number. So, I do not want to take more time because all these things will be discussed in the session. So, we now have high legacy debt, more states are struggling with debt burdens, which could threaten long term financial stability and the 15th finance commission estimates the general government debt for the country has increased from 70% of GDP in 2018-19 to 90% in 20-21. We can only comfort ourselves that this is however lower than the European governments and the United States, that is cold comfort for us. I have done by emphasizing just that not only subnational fiscal reporting need to become more transparent, but it is essential to make it more uniform across states. I don’t know whether it should be made totally uniform in view of the diversity across states, but it should certainly should be almost uniform or certainly more uniform. But giving opportunity for whatever differences states have, that is my view. If you take example of off-budget borrowings if the state government misreports the full extent of its debt by resorting to different practices it then puts that state to risk. Because then it is transparent what really their debt budget burdens are. So, given that we have a highly interconnected fiscal system made more so by the GST that it is really important for overall macro stability that we must improve our fiscal reporting, eliminate under-reporting for the interest of the country as a whole. According to the FRBM act the total debt shouldn’t be more than 60% of GDP. Of course, it is around 90%. So, we have a task ahead of us. So, Anoop all yours.

Anoop Singh:

Mohan, I thank you very much. Just very briefly before we start. We have got great panelists here. I just make one or two points before we start to set the context. There is an international context to this which has grown over time since the global financial crisis. And India has given various commitments on fiscal transparency over the years. For example, the G20 forums had what they call
the data gaps initiative which is to compile and to report internationally comparable government financial statistics on a quarterly basis covering the general government which should include all levels of government. It is an international commitment that India has made. Now, India is not there yet as you all know. India is among the very few if any country within the G20 that does not produce and report full general government data, fiscal data in line with GFS standards. Now, the interesting part of this is that the center, the union, has moved quite forcefully in this direction in recent years. And extra budgetary is important because off-budget activities are a major example of data gaps as we call them and this is the paper that Shruti and Kevin have worked on. The center has done two things in recent years which are very important. Some years back the finance minister introduced statement 27 in the budget on extrabudgetary resources and in subsequent budgets the finance minister has made it clear that she and the center want to go online the bottom line on all such extra budgetary issues. We don’t yet know if India is doing it at the central level. But there has been a push by the central government. Now, recently the central government has used article 293 which you need not know. But what it means is if the states are going to borrow above a certain amount, they need the approval of the center to borrow more. So, the center has recently, in the last one year only, they have asked states to report the off budget borrowing and financing and then the central government has added this number to what is officially available of those states borrowing to show if it is above the total. This is a good way to do it. But the problem is this has been done by the central government ministry of finances with state by state. This is not data which is publicly available or reported even to the CAG. So, it is a good starting point, but India can’t stop there. So, now the issue is how do we move forward. Because there is a tension to this across India. So, I thought we should ask our panelists B V R or Subbu as I call you, doesn’t NITI Aayog have what is called the DGQI, the data governance and quality index, which is developed by the EMU. The point is, can’t this be used with the states and the local bodies to enhance fiscal transparency and reporting data. But then the other issue, you look at the CAG, I learned in the finance commission a very important point. That is our constitution has article 150. Article 150 gives the CAG the power or the avenue through the president of India, to prescribe the form in which accounts of the union and the states are kept. Now, does the CAG have the power to ask the president to direct this? Or this only has the power to advise the president to convince the states. Either way there are options available of how to move this forward and so the point that you ask our panel how do they see? we all recognize it needs to be done. We recognize the center is very keen on doing it. So how do we move forward. We will first have the paper by Shruti and Kevin and then we will come to the panelists.

Shruti Gupta:

Good morning, everyone. While fiscal transparency is a fairly broad subject in itself our work explores one aspect of it. The paper titled ‘an analysis of off-budget borrowings by Indian state governments and their legal context’, explores the data gaps and regulatory frameworks of off-budget borrowings. So, we begin with defining the concept of off-budget borrowings. These are the borrowings which are not openly reflected in the budget, as and when they are made. Even though budgetary resources will be used for their repayments either in current or future periods. Off budget borrowers may include public sector undertakings, special purpose vehicles or the government itself. The governments in the past have used a variety of ways to borrow off budget. Union government has specifically used NSSF funds, government fully serviced bonds, to borrow off budget while state governments have been known to heavily rely on domestic market borrowings. So, now to understand it better, let us take a few examples of how off-budget borrowings work. First example is of Haryana police housing
corporation limited. HPHCL. Which took two loans back in 2011 and 2015 from HUDCO, Housing and urban development corporation. The loans were sanctioned by the government of Haryana requiring that the principal and the interest will be serviced by the state government. Now, as per Haryana’s fiscal responsibility law, where the state government undertakes to repay liabilities unconditionally and substantially of any separate legal entity, it has to reflect such liabilities as the borrowings of the state. However, these loans were not reflected in the state government’s finance accounts as state governments borrowings. Which led to an understatement of the government debt. Also, at the time of repayment the amount released to HPHCL was shown as grants-in-aid in the budget instead of repayment of loans. And it was shown as revenue expenditure despite the expense being capital in nature. Next example is of Andhra Pradesh Road development corporation. APRDC, which as the name suggests undertakes development and maintenance of the roads in the state. So, it raises loans which are backed by the state government. So, state government had issued order for assigning revenues realized through road development cess to APRDC for the purpose of raising new loans and servicing existing and new loans. Now, this cess was being credited to the escrow account of the corporation through budgetary provisions under the revenue expenditure head. Now, despite road development cess being the revenue of state government, it was being used to finance the corporation’s loans. And which led to misclassification of revenue expenditure. Just as in the previous case, the APRDC’s debt was never mentioned as state government borrowing despite it being clearly the liability of state government from the very start. Let us look at the missing data on the off-budget borrowings. So, there is a paucity of data on this subject. Especially at subnational levels. As Anoop sir mentioned that the union and back in 2019 had released the statement 27, the statement of extra budgetary resources and it also releases figures pertaining to repayment of such debt in the ministry wise expenditure statement. However, in the case of states, no such similar step has been taken. As you can see the table on the right, it shows the state wise extra budgetary borrowings at the end of financial years. Now one should try to focus here instead on the numbers rather on the blanks which shows the dearth of the numbers on off-budget borrowings we have which makes it impossible to hold an interstate comparison and understand the situation of each state when it comes to off-budget borrowings. Now, I will hand over to Kevin for further presentation.

Kevin James:

Thank you. I will be doing these three slides which very briefly look at how off-budget borrowings are being regulated under existing laws. How we believe it should be regulated and what legal options we have to get from A to B. So, just some basic background. As of now each state government is bound by their own fiscal responsibility legislation and the union government is also bound by its own fiscal responsibility legislation. And there is a wide variability between the various provisions in these laws, especially on the point of our budget model. So, in this table I have just captured some of it and in the paper, we expand on it. So, if you just look at the definition of debt for example, we have some FRLs which have an extended definition of debt which includes within it the kind of debt that we would call off-budget borrowing and others that don’t. If you look at the third row, you have some fiscal responsibility legislations which have an express definition of off-budget borrowings. You will notice that these are only a minority of states. So, the other states don’t have any definition and there is variability between the definitions of the states I have mentioned as well. So, for example some include special purpose vehicles within it and some don’t. Even the ones that include special purpose vehicles some FRLs have a definition for special purpose vehicles. Others don’t. So, in the FRLs if you have… which gets us to the fourth row of the fiscal policy strategy statement, under which you are
supposed to make a series of disclosures, even if you have a heading as required under your FRL for off-budget borrowing because these definitions are different or in some cases, they don’t have a definition we don’t know if these are numbers that are comparable. So, broadly we can categorize two types of regulations that are happening. This I am talking about what is in the law and not really about compliance which is a different story. So, you can see in the first sub point, that there are those FRLs that require off-budget borrowings to be added to debt either in the form of being part of the definition or otherwise. And then there are those which require separate disclosure in one or the other statements. Now, we argue that ideally both should be required. Because, for example, if you need the number to be added to your debt then the debt number, the raw number that is being reported, you don’t know if that is inclusive of off-budget borrowing or not. And in the latter case, if there is a separate disclosure but it is not added to the main number then, you have a headline figure that is not giving you the full picture. So, ideally, we want both. But only as you can see again a minority of states have both. And if we are moving in this direction there should also be additional details some of which I have mentioned in the brackets in the third bullet point. As Dr. Mohan also emphasizes in his opening remarks, it is not just that these requirements have to be improved, but they need to be uniform because these have implications across the federal system. So, in terms of legal options to get to what we think the ideal regulation is, at the first level as we saw it is not as though existing fiscal responsibility legislations don’t have provisions that envisage this practice. So, at the first level we need state legislatures to hold their governments accountable which itself without making any change should improve the kind of numbers that are available and reduce the blanks which Shruti showed in her slides. But even if all states were to hypothetically comply with their FRLs it would still not solve the problem of non-uniformity and non-comparability for which there are two options. One which Anoop mentioned briefly regarding article 150. Under this, the power the government accounting rules does exist. It is the power to prescribe the form of accounts for the union and the states. It is worth bearing in mind there are limitations to this power because it is just about the form of accounts, so you cannot use that power to define what you mean by debt and have these substantive definitional components to it, which is why the long term solution is to have a comprehensive overarching public financial management law. We have done a lot of work on that. It should have provisions regarding various aspects from fiscal responsibility to accounting, reporting and a law of that nature can indeed include a definition of debt and I will just end with saying that it is again as Dr. Mohan pointed out, there is indeed scope and there should be scope for state autonomy. Indeed, public debt of the state is in the state list in the constitution. But the way in which it can operate is, we can have a unified definition in the PFM law. We can have certain reporting requirements that are uniform in the PFM law and states can still use their FRLs to set their own debt targets, their own targets for various other fiscal indicators and have reporting requirements over and above what are mandated in the PFM laws if you need it. So, in this way all of these different legal instruments can work together for the outcome that we need. Thank you.

Anoop Singh:

Thank you so much. Let us start our first round. So, you are first.

B V R Subrahmanyanam:
Thank you, Dr. Singh. I am honored to be here. This is not an area of my expertise. I will first say that I have never worked in the finance department. Either in the states or in Delhi. So, you should take me as a layman. I may have the most, I won’t say moderate, but the most pragmatic view of the whole problem. First, I am a culprit if that is the way I have to define myself in my multiple roles in the past. If you look at what states are being accused of. Because I have probably taken advantage of all of that. In Chhattisgarh, I was the principal secretary of home. And there was a shortage of housing for police staff. You what we call satisfaction level is 15%. There was the police housing corporation and we went to the market, borrowed a 1000 crore. There an annual allocation with 100 crores. We didn’t get a government guarantee for it. All that we had was a letter of comfort that the government normally allots about a 100 to 110 crores per year for police housing. They only said that we would maintain it for the next 10 years. And that was adequate to raise moneys from the market. And we went public and we issued bonds. And that was used for constructing houses like Haryana police. But I did not know Haryana police had done it. I don’t know what was the guarantee system that I suspect there is a state guarantee. In Chhattisgarh the loan was not underwritten by the government. It was just a letter of comfort that the budgetary allocation and a commitment to finance from home that we will not ask for additional funds over and above this. And that went off and at one go you could… what are you doing? You are basically escrowing future budgetary allocations to the present. And then you are building houses and I think that is normal thing for infrastructure. If you look at housing as infrastructure, be it a road or an airport, you escrow. That is what a private chap does, what is wrong if government does it. Now the question is how does it translate as far as the load on the government is concerned. I think that is what we are discussing. I went to other states. I am giving an example. J&K, horrendous. Every little crime or whatever is being mentioned in this, we were using that in the past. I stopped some but I created some also. What did we stop? It is a very interesting, it will take a minute. I am not sure whether any other state has that kind of a financial structure as J&K has. It had two finance departments. Not one. So, one was called finance, we did the revenue expenditure which is salaries and office expenses. And the department called planning department which every state has and which is where the old fogies tend to get posted in states, the unwanted people. That was the real finance department because the capital expenditure was done from the planning department. Always in the history of J&K the state chief minister had been the planning minister. So, it would look very large hearted to have a separate finance minister who had actually nothing to give anybody. But then the problem was none of the disciplines with which a finance department runs, at least as far as accounting is concerned, were maintained in the planning department. So, the way the planning department was run was, it is just a pot of money and you could just dish out money. Somebody walks into my room says, I want a hospital 100 crores, take 10. Take 5. Take 3. And therefore, that state was stuck with unknown liabilities on projects which are begun and never accounted for or completed. So, you had bridges on the Jhelum which were 25 years old, two pillars standing, roads built half built, dams half built, one third or one tenth built. Because the department itself did not know what is the project, what is the current state, level of completion. All that they knew was we have given some money, there is no accounting for the future. And that is one of the things that comes out and that is actually… so, rather than just the off-budget we need to look at how accounting is reported in states in a much larger perspective. So, this is actually multi-year obligations to complete things that are not accounted for. We actually did a quick survey and that was one of the first things I did about three months. Asked planning to actually do a review of all projects sanctioned incomplete, money spent, moneys required to complete these projects. It turned out we needed 7000 crores to complete, what we called languishing projects. Languishing, the
oldest one was 35 years old. And they are all languishing. Of course, Kashmir has even other things. We had a funny case where we got a second installment, but we couldn’t spend it. Because we divert money left right and center. So, the first installment was not spent on the project. A fake UC was submitted to Delhi. The second installment came in. The contractor who has taken the first installment, nobody knew how to pay him. Because the first installment technically is consumed and the second has come up. But anyway, when we realized that we have a 7000 crore hole in terms of completing, we set up a new corporation there. JK infrastructure finance development corporation. And actually, raised money again. 7000 crores, but we brought in new systems into place. So that these projects and I think by now they were probably reaching the end or completed, because all of them would have taken 18 months to 36 months to complete. So, this is 2018. Now, it is a classic case of not even calling it finance, pushing it somewhere, multi-year projects… by the way some states have good ways of managing it, some states are bad. In Chhattisgarh where I was there, when a budget is actually comes out, even if you are home secretary, you don’t know what is coming in the budget. So, you pick up the book, you actually go to the last page of your own booklet of your demand for grant. Because there you actually see new items. So, in new item you get to know what are the new things that are coming. A lot of even the capital expenditure if for completing older ones. So, if it is a multi-year housing thing… all civil works are minimum two years. 50% is budgeted in one year, it is automatically 50% next year is booked. Saying I am getting a thousand crores means nothing. I need to know what is actually I am left with for new things. So, some states have good systems. But some states don’t even have that. So, there we knew I am getting three thanas but I am not getting the buildings. All the buildings are nothing but completion of old buildings. The budget books are transparent. But… just to mention. The second thing in J&K, again that something which is coming somewhere in your thing. You know, special borrowing requirement. Only state in the country which owned its own bank and a good reason why a state government should not own a bank. The state government was the majority owner of J&K bank, I think the one of the large things post 370 which have not been done because I told the finance minister, take over the J&K government equity, pay them and get it listed bank. And take it over. The worst kind of arrangement. There are all kinds of backdoor and on any given day there are four to five thousand crores borrowing happening off the record between JK bank and government. The government doesn’t deposit the GPF, then it is given back to them as a loan, it is not booked. By the end of the year somehow things are squared. It is like companies rolling over debt on 31st march. It is pushed on to the next year. The square on the last day. But there is a constant running, negative balance with J&K bank and there are all kinds of other things there happening. So, but having said that, in another couple of interesting points that have come out from this paper. If you actually read this paper with a fine comb, you come across some very interesting data points which I would like to mention. Most of the state’s borrowings off-budget are going for irrigation and power. Now the question is aren’t they infrastructure? In a way. Or in power they are going for probably subsidies or whatever. The third thing which is glaringly missing, which should be there, is roads. When I joined the government 35 years ago, most of India’s roads, 95% were with states. National highways were in two digits. It didn’t cross 50. You know the old national highways number, I lived on NHS, it is Howrah, Calcutta madras and NH1. We knew, that is all. Now, it was the states obligation to spend on roads. Increasingly government of India has taken over that role through and through. Both NHAI and NH being a massive expansion on one side and the other expansion of PMGSY which is rural roads. These were never central government expenditure. Now the question comes, should they have even taken that up? The question is if that was with the state, maybe a lot of the borrowing of the states would have been going for that sector.
Because it is getting funded by government of India, through the same off-budget borrowings system in GOI through NHAI or whatever, which they also been accused of in this. The question is, it is a reflection of the concurrent list and the state list and the central list. What are states obligations are being met in the states, which is agriculture, which is power and which is irrigation. And that is something I saw. That is one interesting point which I noted. The other interesting point which I noted is the five southern states account for 93% of off-budget borrowing last year. That is something even I didn’t realize. I went through that and they have an interesting graph which everybody I urge you to see where they have looked at percentage deficit of the state in terms of fiscal deficit and the percentage of off-budget borrowing. And all the states are in the second and the fourth quadrants. So, it is very interesting. States which are very high fiscal deficit are very low as far as off-budget borrowings are. So West Bengal, Punjab and Rajasthan have the lowest off-budget borrowing. So, are they more fiscally conscious, transparent, etc. After all it is the same bunch of bureaucrats who are running Tamil Nadu, Kerala, Andhra etc.? My understanding would be, I wouldn’t even attribute greater intelligence to one part compared to the other because I am sure again it is the same pool of people, it is probably a market discipline that is coming in. Or people probably more willing to lend to these five states. Compared to West Bengal, Rajasthan. So, if government of West Bengal goes for off-budget borrowing maybe nobody would either buy their bonds or lend them money. Whereas Telangana or Tamil Nadu or Karnataka would go, probably they will get the money. And if that is the case, I don’t think it is a negative at all. These are bankable states and probably they are getting money and because that is so curious. Of course, the data is riddled with a lot of gaps. Maybe it is not fully correct or whatever. Having said that, why are these off-budget borrowings… the points have come out. But some of the points that have been said is, the legal frameworks are there, the rules are there, is there deliberate attempt to avoid those or misrepresent etc. I am less inclined to look at it. I think the way you have to look at it… bureaucrats are very sensible, they are law abiding and they are very careful. By nature, risk averse. Having said that today I don’t think they would be doing deliberately, they would actually be using gaps in the system. So, I would prefer to feel that there are gaps either in the laws or the rules or the interpretations and they are using it to their advantage. And by the way, bureaucrats are very loyal to states. Even if I work in Delhi, I am loyal to my state and it’s an abiding feature at least of the all-India service system. Because we understand that it is a federal polity and there is a central state thing. Second thing is, this is something, states are getting increasingly choked for revenue. Somewhere it comes up in the paper also. And I think that post GST their avenues for raising funds independent of some third party is also not there. Because of which… and I think GST while it is a success, revenues have been buoyant. Now 1.6 crores per month seems or like 6 lakh crores seems to be the norm for the last four months. That is probably going to maintain. I think it has probably pushed states now more to the other side in terms of being cautious in subscribing to any such arrangement. And that is where I see a danger for this PFM law, why it is not likely to get passed. Because there is a why. There is an increasing use of cesses and surcharges to fund or to raise revenues. So, if that is the case and these are part of the non-divisible pool, then states would be wary of seeding more and more of their autonomy in taxation. And I think that is a very important. And the other is and this is something, increasing amount of… what are the principle of the 14th finance commission, Y V Reddy one, they raised the devolution to states to 42%. I was at the heart of the discussion, not heart… tripartite discussion between Dr Reddy, me and the prime minister. No finance ministry. Should it be 42 or 32 or some number in between. The previous number was 32. And it was a two-hour conversation with Dr Reddy who was in Toronto at midnight on what should be the way forward. And in good south Indian English he told me in the end. Brother,
go and tell your boss he has no choice. He said go and tell your boss he has no choice. The words he used was the government… it is interesting to understand why the finance commissions powers are there and what they stand for. It is mandated by the constitution to recommend devolution. The government in the first eight finance commissions they never went to the cabinet. Part of the parliamentary debates was the finance commission submitted to the president because the central government is a party to tax. One of the recipients of the tax. How can they decide what the number is? So, it is reported to the president. After the 42nd amendment when the president’s powers were constrained to be guided by the views of the cabinet, the finance commission recommendation started going to the cabinet for the first time. Before that the first eight finance commissions never went to the cabinet. They were taken to the president. So, cabinet has only a power to either recommend, acceptance or nonacceptance. They can’t substitute a number. To which he also gave me a solution. He said it is very easy. Appoint a new finance commission and ask them to give an interim report in 15 days for the first year and then you accept that number. But you can’t substitute my number with a new number. But the simple point here was, what was the logic of going from 32… by the way finance ministry was hell bent for not going beyond 33. That is it. We have two lakh crores was the loss to the central government at least as far as fiscal devolution is concerned. Actually, the budget was written in two days that year. Two days because this recommendation is accepted so late so late and everything was written at that time… it had become NITI Aayog by then. In a conference room in planning commission NITI Aayog. Four of us sat and actually recast the entire budget. But the simple point was, the whole idea is central government should get into areas which are in the state’s domain. And therefore, the two lakh crores meant a lot of centrally sponsored schemes get transferred to states. And that is why I am coming to that point here. It is that central sponsored schemes you leave it. Kerala doesn’t want school education, wants higher education. Let them do it. UP, Bihar or MP wants school education, let them do it the way they want to do it. That is how that 42% figure was arrived at by not lopping off and I still remember when we were cutting off, women and child, state subject, 36000, make it 18000 crores. Home, police, state subject. Zero. I didn’t realize I will become a home secretary one year later with no central fund. The point now is we have again seen a huge ballooning of centrally sponsored schemes. Massive ones. The problem with that is while they look good, they also commit a lot of states finances to these. All 60 – 40 schemes, if you have 10 lakh crores of schemes, Jal Jeevan or this and that, 4 lakh crores of states money get actually blocked into that. So, where is the autonomy for states in coming up with their own schemes or creative things etc. So, I think these are the kind of fiscal challenges states are facing which are forcing them to… and of course, there is an allusion to the word freebies and then some reference to supreme court about and even in the presentation Merit subsidies. The question is these are social decisions. Somebody can say that Medicare and Medicaid in the US are freebies. Can you go and scrap them? I think these are societal decisions, these are not economic decisions. Economics will only decide whether you can pay for it and do it or not. It cannot say it is right or wrong. It is a political decision. Having said that I will come to the centre. There are some contradictions also. I think you pointed out one which is that they have brought in more transparency they are reporting EBR and all that. However, their EBR, IEBS allocations are not matching. The so-called statements of cutting down the EBR, if you see the numbers there is still huge allocations to EBR. So, we have cut off FCI, but we are doing somewhere else. So, I think that is something. The other thing is there is case studies of NHAI, of railways, and all that stuff which is happening. The point is again… railways was always a black hole and I see the problem worsening in railways. NITI Aayog runs the infrastructure monitoring system for the prime minister. So, we curate the presentations of prime minister. I see one
increasing problem with railways. As more and more cash are being thrown at Indian railways and huge amounts, 2 lakh 40 thousand crores this year. They have stopped raising any money on their own and doing anything. It has completely disincentivised them from doing any PPP or asset monetisation or a completely… railway stations are very easy real estate models for development are being done through the EPC route. Because they find it easier. I mean, technically it is easier. There are much less complex document and there is nobody like the good old late. Gajendra Haldea to bother them. So, lets go forward. But the fact is, I have seen this thing about NHAI, but there are attempts being made. We are running an asset monetisation program also in NITI. And there is an attempt, so this year we have got about 1lakh 75 thousand crores as the target. So, maybe given the problems in India in terms of infrastructure development, the development risk that is there, maybe the better model is to do it. But the question is from the state finance point of view how would you actually treat a PPP kind of a thing. Where does it come on the revenue side, where does it come on the expenditure side, where does it come on the liability or asset side? This is something to be seen. That is one. The last couple of points is that I for one actually think transparency is more important than uniformity. I am an MBA myself and when I was being taught finance, I was told accountants spend their life covering up a company’s truth in layers. An MBA or an analyst spent his or her life uncovering the truth. So, I would treat whatever government books are with due respect to the audit accounts service or the civil accounts or whatever, that it will only be covered in layers and layers of attempt to cover the truth. But that is why transparency. See that everything gets reported in some form or the other. Leave it to an analyst sitting outside who… while you read the government reports, next day we always wait for the Citibank or the JP Morgan analysis of the Indian budget. Because that actually unveils the truth in what the real situation is. But the bigger problem is not having everything reported. That is a very important thing that is there. I am sure you will have a Hindenbug who will open up the accounts if they are transparent at least in terms of reporting the purposes. The other thing is also, we do not have a developed bond market. If you don’t have a developed bond market you go through this government of India, RBI route for raising. If you have developed bond markets and you have transparency, I think market disciplines will operate and as I said they are probably operating in Rajasthan Punjab and West Bengal, you could do that. Coming to the solutions which you have mentioned, what states when you will see when you try to come up with anything is you are trying to put in discipline on states without similar ones on the center. That is going to be one of the things. I think that somewhere hidden left unsaid, in the last three pages of your paper is about all the EBR data having being collected by finance and kept with itself and then them not disclosing it, I think you are hinting at something in that. Are all state… by keeping a secret I can decide to use what data I want to use. I think that is why I said transparency is more important. Once it is done, I think the rest of the world will… states will have a defense once it is transparent. If I am West Bengal and I am being hit harsh I will say look, but why aren’t you hitting Punjab also which is equally bad. I think comparability and all will come in with transparency. The other is can we think of disciplining all cesses and surcharges. If you will have to go on not only defining things and not defining just on what you think is an EBR or an off-budget borrowing but also on definitions on other forms of taxes and limits on those. Because now I think we have had enough experience on that. The other is article 293, which has been referred to as the power of finance etc., it is there. It is there in the constitution. But why that will militate against any such act coming through is, it doesn’t apply to the central government. So, states are actually going to say why, if since it doesn’t apply, why will sign up for another leash on myself unless you say ok- 293-3 in some form will start getting applied… the most beautiful idea we suggested is a fiscal council which some countries have. I am not very familiar
with this discipline. But if you can look at what United States does, Canada does, Australia does, very strongly federal government, we will actually have something to learn there. Same with... although we are talking about transparency that statement 27 which is being referred to about government disclosing, it is only disclosing one part. Nine blind men and the elephant, ok, now we know three of the pieces. We still don’t know six of the pieces. What is the time of the borrowing, amount of borrowing, timeline of the borrowing, interest rate, nothing is known. So, you probably have to expand it. The most viable thing for me in a short run is for the CAG to actually issue binding guidelines on how accounts have to be maintained and I will defer to my colleagues here who may tell what the powers of the CAG are. Because if they decide what form accounts are to be maintained they can probably define also. After all, in the private sector you have SAP and SAP defines what are the accounting practices around the world. I would look at CAG issuing SAP type guidelines for government accounts which are there, they can control off budget, multi-year projects, contingent liabilities, how are they to be booked, are you going to have a weightage system, like you do for banks etc. for that risk. I think that is probably the way forward as I can see. It is a challenging area. It will require centre and states to work together and work very strongly together and has to be an element of - if I am going to put leash on you, I will put some leases on myself. That is because at any given point in Indian history half the states are going to be ruled by the party which is not in the power at the Centre. So, how are you going to get them on board? So, it is just as GST came through as a miracle through winning a lot of trust on both sides, you will need to do that. Thank you.

**Anoop Singh:**

Thank you very much. This was extremely useful. You have covered all the ground. Transparency number one and now the role of CAG as you said. Now we have time and you are next. The idea was after they have spoken people comment from row two and question them. Montek Singh has lived through these issues for a number of years. So, you must come back here. So, you are next.

**Vidhu Sood:**

Thank you very much, for having me here. I am going to speak mainly from my experience on working on PFM and not so much as an organizational view of course. For that we have go back to the CAG. I think PFM it responds to frameworks. Framework is required to be very clear. What is it that we are going to report? The reporting frameworks have to be very clear. So, I will give some small examples and I defer to the giant sitting here. If you will allow me, a few simple examples to explain. Sometime about a decade and a half back really, the finance commission wanted to know that, when grants flow to various bodies, what is the expenditure on salary or non-salary. They really wanted to distinguish that. The classification system that we follow in government was able to respond to it. They kind of bifurcated that into salary and non-salary. So, that was the first sort of that once a reporting requirement is clear… you mentioned the G20 data gaps initiatives… so, if the framework is clear, that is if we are clear that we want to report general government statistics and general government means union governments, central government and local governments and all the autonomous bodies or development bodies or these development boards, SPVs, if you are clear of the entities that we want to report general government data, I think that should clarify one aspect of the problem. That, who is going to report. And what is going to be reported. I will come a little now to the second example. Now, having done the salary and non-salary part, we ran into another problem. That is of comparability. Because till date salary expenditures in one state are sometimes incomparable to salary expenditures in other states. That is because the salary component itself in some states you
have honorarium, stipends, medical combined into it. And others you don’t. you just have your salary defined. So, the second aspect that sir also just covered is the definitional aspect. That, if you want general government debt or the overall debt to be defined can we find that kind of a consensus through the various bodies that we have, the CAG, the ministry of finance, to define these elements clearly for us. I think that definition is something that we need to focus on if we really want to report. Off late I think from 1st April 23, there has been a Gazette… there was a Gazette notification came in winter of 2022 where the central government has defined its object heads that is the list of activities, a little more clearly. That, what constitutes compensation to employees. What constitutes fixed assets. It is applicable from 1st April of 2023. Not just the central government, all autonomous and statutory bodies are responding to it. So, for example at the NFRA it is the only link to NFRI in my current position is that we are also reporting in the same formats. Now there is comparability. If government wants to know what is the compensation in government and in my statutory autonomous bodies, they have a uniform way of reporting, there is comparability, they can take requisite decisions. So, I think the second aspect therefore becomes that at the account level we really need standardization of definitions as you were saying, whether we use the mechanism of article 150 or otherwise. The third thing is that again drawing upon that simple salary, again about a decade and half back many state governments wanted enumeration of employees. They wanted to know how many employees do we have and it was a manual time. You didn’t have the benefit of digitization at that time. So, the best course was that ok, who pays salary. So, they came to the accountant general offices. Ok, you pay salaries, please tell us the number of employees in the state governments. So, we undertook that exercise, extremely difficult because there are not just government departments but there are schools, there are hospitals and a whole lot of government employees’ functions. But more than that we were unable to capture uniformly any attributes because everybody was maintaining data regarding employees also in their own manner. So, the third thing that really needs to be done in my view is that, you have the reporting framework, you have definitions, but you also need to define the data elements. That is for each transaction type whether it is a grant or a loan, what are the attributes that we want to capture. And I think if you are able to define those minimum attributes, four or five attributes of every transaction type, they can perhaps then be emitted on to a centralized portal. So, this is something that in fact the organization has discussed also in a concept paper that was published in public domain. That, we have to have that, we should work together on the framework that we are responding to on standardized definitions and then you will obviate this off-budget kind of a problem and for each transaction types that we consider important certain data elements that need to be standardized. So, I think that is one framework potentially maybe we can work on. I also just want to add because I am conscious of time also, that I completely sort of agree with what sir has said. That, the problem of our budget should be seen without any kind of value judgement. It is actually state’s responding to their infrastructure requirements. The same problem happens when we report I think on personal deposit accounts and things like that. Personal deposit accounts as we know they are situated in the public account and you have money that is brought out of consolidated fund, shifted to public accounts or personal deposit accounts and then drawn by bodies who want to implement schemes. Then there is the other thing where money is directly shifted to bank accounts which are outside government accounts completely. Again, is that a better situation or should the government have control over its cash and therefore should it hold money in personal deposit accounts. So, I don’t think the tool itself is the culprit really. It is all about visibility on that particular arrangement. That financial reporting arrangement, how visible it is and how transparently are we able to report on it. I think that is
something that personally to me really appeals as far as PFM is concerned. One small thing that I wanted to talk on capex. Just to highlight. When we start collating capex, capital expenditure across states, capital expenditure is of course, when government spends money directly on roads, buildings etc. capital expenditure is booked when moneys are transferred, the capital heads of account are debited and money is transferred to the public account. Expenditure is booked although the capital may develop later. So, that is another. Third, sir talked about capital being locked in irrigation projects or investments in power sector that is the loan and equity infusions that happen in the power sector where it is not really amenable to healthy rate of return. Or the innumerable CHI reports. And otherwise, where the erosion of capital or the accumulated losses of the PSEs are accounted for and they are there. There are all these data is in the public domain. So, is capex only the amount that is debited from the consolidated fund or to arrive at capex we really need to cull out from that the erosion of net worth, the accumulated losses, blocked capital in maybe pending irrigation projects. So, I think those are the kind of germane things that we really need to debate on and if we get the framework right, if we get the elements right, I think sir, we might be able to address this problem. Thank you.

Anoop Singh:

Thank you very much. So, Kandarp, it is your turn. We talked about these things over the last three years but now we want to hear you again.

Kandarp Patel:

Thank you. So, first the disclaimer. It is not the institutional view. It is more of a personal view. We work in the finance commission, so we thought post finance commission also we are carrying the work we started in the finance commission. I will just put some numbers. Previous speakers have already spoken on the importance of it. But I will just put some numbers to it. From the general government expenditure, the state and center put together. The two third is done by states. So, it is a very large chunk of spending which is done by states. That is why we are focusing on subnational reporting. Center is only one third. The center gets more attention because of the reasons well known. But states are doing a lot of spending. And we are not including the local bodies. Because subnational includes local governments also. If you include local governments, it is even more. And for example, the 15th finance commission, the grant which is recommended to local government is around 5 lakh crores over the five years. So, it is a huge amount which is going to local governments also. So, if you include all that, it is very important that we focus on transparency in reporting at the subnational level. And sir, just to take you on the lighter vein, as accountants we put the layers and as auditors, we un-layer the truth. So, it is not only between accountants and managers, between accountants and auditors also. Now, sir also spoke about the market discipline. So, why transparency will help the states also. And we were speaking to a lot of market participants also who are actually the institutions which are lending to states. And states are now borrowing 70 to 80% from the open market. So, when they are doing that, when we speak to market participants as part of finance commission and all, they said we don’t understand the accounts. And we don’t get real-time information on the financial data what states are doing and their operations. So, when they don’t know, they will put a risk premium to the cost of borrowing. And that risk premium is very visible when they don’t understand what the fiscal numbers are. So, states if they are more transparent, I am sure they will even in a monetary term they will benefit. There are other benefits of transparency and I don’t want to get into details of it, but there will be real monetary benefit also if they get into a
more transparent fiscal data. One more important point, it is not that states are... so there is no demand for transparency probably at the state level. That is why the central, the union budget gets so much attention but states budget doesn’t get any attention. So, that is why there is no demand for transparency and hence transparency doesn’t get improved. So, that is a problem. So, we need to build some awareness, some capacity at the state level to become transparent. I mean, make some effort to become transparent. That is very important. The capacity of the state level and I am sure sir’s experience would also tell, capacity at the state level is limited. Whether it is the finance department or at the accountant’s, capacities are limited. Then hence if we talk about transparency but if the capacity is limited, they can do only so much. They cannot do more than what they have been doing. They follow the same format. I don’t think budget formats have changed much since 1950s. If you look at the first budget and the current budget, they would look similar. So, if formats don’t change, they just follow the format and there is no more fiscal data or more transparency coming into the picture. So, it is not that we are opaque by design or anything. It is just that it is legacy, we have been following the same thing and people don’t understand what is there in the budget document or finance accounts. So, that is the problem. It is at such a level that within government also it is very difficult to get numbers from any other department. For example, if you ask finance department that what is the total guarantee issued by the state government during the year, they will not be able to tell you. Even finance department doesn’t have a clue that other department issued a guarantee or they have a contingent liability on the state government. You correct me if I am wrong, sir. But that is the fact. So, that kind of opaqueness is already built into the system and that is why specific effort to bring some kind of more better reporting system and all those things are very, very important. That is my bit, sir, as of now. Over to you sir.

Anoop Singh:

All right. There are all kinds of issues. Before we go back to them, we can have some questions. Any questions from the audience? Montek, your eyes were moving. So, you are thinking of what? You have been there over the years.

Montek Singh Ahluwalia:

(Inaudible). I just want to make some comments. One is a very fascinating description that Subhu gave of the tripartite conversation between him, the PM and Venu Reddy, on what to do on the recommendations of the 14th finance commission. Actually, that was quite an important shift that Venu brought about in a way even the planning commission was party to it. Because early in the day when the terms of reference were approved, I had mentioned to Dr. Singh that – look, for the first time the terms of reference do not say... Abhijet was not happy with this... that the finance commission must keep in mind the needs of the center for planning expenditure. And I told him that – look, in all the discussions I had with chief ministers, they all said frankly these centrally sponsored schemes are a farce. Give us the money and one from Tamil Nadu is the state finance secretary said from Tamil Nadu... they were a responsible state. We would like to listen to your lectures, but give us the money, give us the lectures and if we think there is something in the lectures, we will surely reflect them. But don’t have this tied business. 60-40 has now become worse. Because earlier it used to be 70-30. But then since resources went down, the center raised the state’s share which has simply put a burden on the states. So, I think I was not surprised and I was even glad because the getting rid of that multiplicity of centrally sponsored scheme was necessary. So, this is just a little bit of background. One point I want to mention in all these discussions, I think ___ (inaudible). Can you just
dig that up for me? I caught that phrase and it said, state legislatures must hold government responsible. Now, I think the origin of this is very much not just federal but where the executive is outside parliament. In the United States the congress wants to hold the president responsible because the separation of powers. In a parliamentary system a legislature cannot hold the majority… the government is supported by the majority. So, the idea that the majority party will hold itself responsible just doesn’t make any sense. The reason why all these fiscal deficits all became important, it is actually in the interest of the finance ministry. Because they are the only ones who in my view rightly would be able to go and tell the prime minister that – look, I mean all these are very good things. But if I end up with a fiscal deficit of 7% all hell will break loose. And what is that all hell that will break loose? Because we are now globally integrated and money will flow out. And a finance minister will be heard whereas other ministers etc. would not take this _ . There is no parallel situation in the states. Because the states happily borrow from a nationalized banking system. They don’t fortunately borrow internationally, that is what happened in Brazil when one of the states borrowed internationally. They can only borrow from the banking system. So, frankly the only discipline is going to be when the lender only lends to states that are credit worthy. Subhu made the point that quite possibly the reason why the northern states can’t run the deficits. Finally, the lenders have worked out. Economists have criticized banks quite a bit. For the lack of a credible interest rate differential. But, of course, there is the other side of economics which says that banks don’t equilibrate through the interest rate. They just equilibrate by not lending. If they keep the interest rate rather low, but they don’t lend. I think we need a lot more of that. The other interesting thing is from the RBI’s point of view, how are they valuing government debt in the books of the bank. It is treated as sovereign debt. But is it valued at market value? And that is when if interest rates begin to rise, the interest rate on Punjab debt is much higher than the interest rate on Tamil Nadu debt. The banks that have lent to Punjab will find a loss in their balance sheet because they have to mark the value of the debt down. We always kind of ignore these things. But in all of this you will see little bits of progress being made, step by step. I think that is a very important thing. Third, Subhu is absolutely right. This cesses and surcharges have to be the next major fiscal… it is an abomination. The idea that the central government… there was a time when you shared this revenue, didn’t share that revenue at all etc. then we pooled everything. Except cess. Now there is no conceivable logical reason except a war and in which case the constitution should then be amended. That you can have a cess, for a defined period and the fact that you have a cess is a reflection that it is an emergency you can’t handle. There will be sort of a political _. Otherwise quite frankly the states can be squeezed endlessly. This is nothing to do with transparency. This is really to do with an issue that should come up in different contexts. The other point that Subbu mentioned and he rightly mentioned the railways also. The absence of any kind of accrual accounting… I remember for the last 20 years, this is not something today. Railways always used to be asked. What is your throw forward expenditure on all the railway lines that you have announced? Ministers used to happily announce 10 new railway lines and you would spend about one crore on each railway line. Huge amounts of expenditure and this was never factored in in what was the as if you like the implicit either a strain on the budget or an implicit deterioration in quality of expenditure. This is something not just in the states. Also true in the states. But it is certainly true also… today for example we announced all kinds of PLI, expenditures, huge sums of money and people wonder and then everybody says, don’t worry, it is only over the next five years. We need to pull all this together and work out what is the probability of all of this actually kind of somehow being taken account of. Of course, the other interesting thing is that, you talked about fiscal responsibility, but state after state is declaring that we are going to go
B V R Subrahmanyam:

promised, we must do it, I don’t think there is much discipline. I have spoken for too long.

Anoop Singh:

No. You raised very important issues. Before I make any comments on that I will just make one small comment. The world is talking about fiscal rules and you make the right point. I would say it you don’t have a fiscal system of transparency or a PFM system, a fiscal rule is completely meaningless. So, we have to first accept that point internationally. So, first get to good mature responsible, transparency of a management, if you do that have a fiscal rule. Or we spend all our time saying as we did three years ago in India, oh, we are at 3.7 or 3.5. Anyway, I shouldn’t say more about this issue now. But there is not that much time left. So, we want to do two things. We want to hear from you and from the panelists. How could we do that? You want to comment on what Montek said?

B V R Subrahmanyam:

One line response to Kandarp on his states have very limited capacity. It’s a bad thing and it is a very good thing. The bad thing is they can’t maintain their stuff well. The good thing is people without capacity can’t fudge either. Because to fudge you need intelligence. So, in fact, because I have not been a finance secretary. I have been a home secretary in the states. So, I depend on my finance guy sitting… there is a finance rep in every department, an assistant director or deputy director. He follows the rule book. Maybe it is 1950s, but he follows it very diligently. And you keep telling him the world has moved on. But no, he won’t budge. So, to some extent fudging doesn’t happen more often than not because they don’t know how to fudge. So, I am more inclined to believe that a little bit happens at the top, the finance secretary level in states etc. The other thing, I wanted to mention. This comes in two parts. One is I think the frameworks have to be changed. Vidhu was right. Then the system starts responding to framework. This framework should promote transparency. But the framework should also recognize that the world is not divided into revenue and capital expenditure. I mean, it is something which is absurd. I think the frameworks have to be large enough to account for different types of expenditures, multi-year projects. You had that old problem. Now I am going back to 2005 or 10. The railway annual capital expenditure 60 thousand crore or 50 thousand crores. And then an overhang of five lakh crores, you take about 15 years to complete this project. Now, that 50 thousand is gone to 2.5 lakhs crores. But I don’t know what the overhang is. How much of transparency is there in that overhang? Now you don’t even have a railway budget which is separate
because they used to report all these things individually. So, you actually don’t know what is happening there. So, I think framework should cover not just off-budget but the entire accounting system. And then this would be one subset of that. And there because what is happening is some other thing. The same Chhattisgarh case I am giving. I am the first guy who went for a letter of comfort and raised money for the police housing corporation. And six months later the rural development secretary who later on became a chief secretary called me and said can I have a copy of your cabinet note or whatever for you got approval. I said fine take it. And I then asked Mandal why you are asking this for. He said we want to do it for Pradhan Mantri Awaas Yojana. Rural housing and that is what they want. They actually set up a corporation, raised money to fund the state share of PMAY the 40%. These are two fundamentally different activities. This is a grant to individuals to fund the state’s liability to compensate for the central liability or central grant which is there. Two, in the police housing, the assets sit on the books of the corporation. Here the asset is actually transferred to some other individual and are left with a loan with no compensating asset. I mean, if you are a normal company, your banker won’t just allow you go in that direction. So, I think there has to be something more robust to prevent that. I know there are states, I won’t name, which are actually engaging in this kind of… now it has become rampant I am told. And the culpable states are very well known. So, I think you need a larger framework to discipline. But the right thing is let there be checks on multiple things. And some on the state and some on the centre, and that is when things will actually fall in place. Last word. I think maybe we can talk to CSEP, we can talk to Anoop Singh about how NITI can play a role. NITI will not have a finance ministry kind of a role which has a regulator. NITI as a more cooperative kind of role where you actually sit with states, come up with rules, come up with modalities, which then the CAG or the finance or somebody can collectively put into place which is more cooperative in nature. Let us hope we can work in some such direction. Lastly, we have this DG-DMU, they have this output outcome monitoring framework. I am just thinking. That is what I noted. Can that be expanded. Expanded to improve reporting in budgets. Because that is a separate thing. It is not now what enshrined in the budget framework. So, can that be expanded that will bring an additional discipline into the system.

Anoop Singh:

That was my point. This time using the PMU. Time is now running out. I am not going to sum up. Suman has come. Maybe you can say one word. The issue is we have talked about transparency and why it is a problem in India and the sentiments of the states. So, the problem is India is not the only country in the world. There are international commitments made by countries. We are now the leader of the G20. We made commitments to the G20 data _. And India announced last year at G20 that India would apply the highest priority to eliminating data gaps. Now my question is this. And this my last one. We are giving up… not giving up… we are now giving data to G20 to Brazil in a few months from now. Why is it that India doesn’t have this data available because… I am not talking about what the money is spent on. That is something else. The problem is simply reporting what you spend on regardless of why or what is it. On this reporting it. Why is it that we have this sentiment and reality in India that we can’t do it at the state level leaving aside the local bodies and the central government? Why is it a country like Brazil to whom we are now giving the data for G20, they bring out today quarterly, state data, within I think 60 days for each quarter. And they audit it in the same year. So, we are giving this to Brazil now in a few months. What is there in this sentiment. Now we should be known that the last president of Brazil Bolsonaro, he tried to change the sentiment of reporting, accounting, documenting, data. He didn’t do it. What he had to do then in order to states
and the government to change their methods of spending, he had to change a law or regulation to do it. So, despite his interference, the Brazil not gone back, where they could have been. So, why is it that the issue of transparency is an issue for India as we have talked in the last couple of hours, is not _._. So, my final point is we are talking today how do we move forward and we have had a lot of comments on that. My point is maybe we should now have a similar discussion with you at the helm to commit to your role, with the states. Using the instruments, you have to talk to them. Now before I end you want to say something?

Kandarp Patel:

Today most of the states have implemented IFMS. So, it is not that data is not available. We should leverage the technology. Data is available, internally it is there. It is not outside. One reason being dumping data is not transparency. You put everything out there. We should define what reporting is required and that relevant data, meaningful data comes out, out of that system and that is possible today. It is not impossible. Because data is available. IFMS systems are in place in most of the states. So, fiscal data could be made available easily. Probably like you said, Brazil does quarterly, we can also do on real time basis.

Vidhu Sood:

I agree. Data is available. It is all about putting it out in a dynamic form. Not static. It is published. It is there on the state websites also. A bit of visualization, a bit of being able to slice and dice data, should be very useful. I just also shortly wanted to mention. It is going back to the good practices part. Odisha for instance publishes the fiscal risk strategy statement. Now, it’s been a few years now that it is publishing that. So, I think those kinds of tools can also be leveraged and propagated through maybe your conversation with the states or our conversation with the states. And more and more states brought on board because that really set out their thought process and the risk plus the benefits that is accruing to them in terms of… the way they are now using the cash balance that is available, because they have actually recognized it. They are able to measure it, they are able to recognize it, they are able to utilize it. So, I would kind of sum up there. That data is there, it is just about visualizing it and putting it out.

Anoop Singh:

I have said my piece. I am going to hope that you are someone who take us forward with the states in many of these areas. Laveesh, can you make some comments to all of us now.

Laveesh Bhandari:

Thank you very much, to the panelists. This has been an excellent and wonderful and enlightening discussion. CSEP research on fiscal governance and the architecture led by distinguished fellow Mr. Anoop Singh is a part of a larger research on growth, finance and development and it has been consistently working on these issues. We are focusing a lot on the fiscal framework and how it can comprehensively be rebuilt. Of course, the importance is something that we are all fairly aware of, especially at post Covid era where you have high levels of debt, rising inflation consequently, the monetary tightening that we are all expecting. So, essentially the role of fiscal rules that of fiscal institutions, that of PFM is of great importance. Amongst the other things that we have been doing increasingly as we work in these areas, a lot of interactions between environment space, energy, health and these areas are also opening up. So, please keep following us and there is more of both
research and engagement. Thank you so much, for being here. And thank you again Mr. Singh. and thank you to our distinguished fellows. Great.

Anoop Singh:

Thank you all and one final point. So, the paper was written by Shruti and Kevin. You have heard them speak. They played a very important role for us in this area. You should know that Kevin among the two of them is today, of last Friday, leaving CSEP unfortunately and going to Harvard university to do more on the legal aspects of these reforms. So, we hope you come back and we all thank you for your work in the last few years.